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OF COUNSEL:
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July 3, 2000

Via Hand Delivery

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Ex Parte Presentation in WT Docket No. 99-217 and CC Docket No. 96-98

Dear Ms. Salas:

Pursuant to 47 C.F.R. § 1.1206, the Real Access Alliance, through undersigned counsel, submits this original and three copies of a letter disclosing a written ex parte presentation in the above-captioned proceedings. On July 3, 2000, the enclosed letter was delivered to Thomas Sugrue, Chief of the Wireless Telecommunications Bureau, with copies to the Chairman and each of the other Commissioners, and the following members of the Commission staff:

Office of General Counsel: Christopher Wright
Wireless Telecommunications Bureau: Jeffrey Steinberg, Joel Taubenblatt and Lauren Van Wazer
Common Carrier Bureau: Lawrence Strickling
Cable Services Bureau: Deborah Lathen

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Please contact the undersigned with any questions.

Very truly yours,

Miller & Van Eaton, P.L.L.C.

By

Matthew C. Ames

cc: Hon. William Kennard
Hon. Susan Ness
Hon. Harold Furchtgott-Roth
Hon. Michael Powell
Hon. Gloria Tristani
Christopher Wright, Esq.
Lawrence Strickling, Esq.
Thomas Sugrue, Esq.
Deborah Lathen, Esq.
Jeffrey Steinberg, Esq.
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Lauren Van Wazer, Esq.

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JOHN F. NOBLE

July 3, 2000

BY HAND

Thomas J. Sugrue, Esq.
Chief
Wireless Telecommunications Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: WT Docket No. 99-217 and CC Docket No. 96-98

Dear Mr. Sugrue:

Thank you for taking the time to meet with Tom Carr of CarrAmerica Realty and the other representatives of the Real Access Alliance last week. To follow up on that meeting, I enclose a copy of an article that recently appeared in *Commercial Property News* ("Demetree, Hornig Stress Tenant Needs," June 16, 2000, p.1).

As you know, the Real Access Alliance strongly believes that the regulations proposed in the Notice of Proposed Rulemaking are unnecessary because building owners are responding to market demand by granting telecommunications providers the right to use their property to deliver services to tenants. As was discussed in last week's meeting, once a provider has signed a master agreement with a property owner like CarrAmerica, the provider can obtain access to a particular building in a matter of days. Indeed, the real estate industry has granted providers access to so many buildings at this point that the providers apparently are unable or unwilling to serve them all. For example, the enclosed article states that Teligent, Inc. has gained the right to wire about 7,500 buildings, but it currently serves only 3,000. *Id.* at p. 40. Similarly, Winstar has signed agreements for 8,000 buildings, but has only lit 4,000. *Id.* at p. 41. Similar figures are cited for other companies.

The Real Access Alliance believes that the record before the Commission does not justify any regulation of the terms on which telecommunications companies are permitted to use private property. The telecommunications industry has not met the burden of demonstrating that market conditions warrant regulatory intervention; their only evidence consists of a smattering of anecdotes. All the objective and quantifiable evidence before the Commission shows that building owners are actively furthering Commission policy by allowing competitive providers to install facilities in their buildings on commercially reasonable terms.

Thank you again for your attention last week. Please let me know if you have any questions.

Very truly yours,

Miller & Van Eaton, P.L.L.C.

By

Matthew C. Ames

cc: Hon. William Kennard
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Commercial Property News

FOR INVESTMENT, DEVELOPMENT, FINANCING, LEASING AND ASSET MANAGEMENT

JUNE 16, 2000

THE HIRING HURDLE . . .

By Michelle Napoli
Executive Editor

New York City—With the employment market sustaining an historic tightness, real estate executives, human resource managers and outside recruiters face an incredible challenge.

"It is, shall we say, a buyer's market," said Carolyn Sessa, senior managing director of human resources for Cushman & Wakefield Inc. The buyers are talented, sought-after employees. "People are a lot more careful and they know they have the leverage now. They know if they don't take one job they have two or three more (possibilities)."

"There is a high degree of competition for top talent," agreed Bert McDermott, a partner at executive search firm Crown Advisors Inc. "That is literally the first thing we start with when we start a search. If our client doesn't realize how competitive it is out there, it's our job to educate them on what they have to do to attract and retain. ... Whatever they have to offer, they need to trump it up."

A number of factors are compounding an already historically low period of unemployment. The lure of dot-coms and other high-tech firms has certainly affected the commercial real estate industry. "There's a lot of quality Internet, e-commerce startups, and not just in real estate," McDermott said. "That's clearly impacting some clients of ours."

But with real estate people typically attracted to real estate dot-coms and

(Continued on page 54)

HIRING HIGHLIGHTS

According to a hiring survey by Ferguson Partners Ltd. published exclusively in COMMERCIAL PROPERTY NEWS:

- 65% of non-finance commercial real estate firms experienced either slight or dramatic hiring increases over the previous six months
- Service providers and corporate real estate executives are among the most active recruiters
- 61% of public companies reported either slight or dramatic increases in hiring over the previous six months
- Finance firms expect more hires in the lending area in the next six months than in the past six months
- Asset and property management are attracting more recruitment interest than other functions for non-finance companies

Jeff Ginsberg Daren Hornig

Demetree, Hornig Stress Tenant Needs

By Steve Bergsman
Field Editor

New York City—By one estimate, there are more than 750,000 commercial office buildings in the United States, a very low percentage of which are equipped with a modern telecommunications infrastructure. But that is changing rapidly.

Jeff Gineberg, chairman & CEO of Eureka Broadband Corp., estimated that of the country's office buildings, only 3 percent are enabled with fiber optics, considered by many to be the most efficient means of delivering high-speed telecommunications services.

There are other means to deliver voice and data services, including existing copper wire, digital subscriber lines (DSL, a line that goes from central office to subscriber) and roof-based microwave, and each has its proponents. But with the amount of office buildings equipped to deliver high-speed Internet, data and voice services still very small, there is a

(Continued on page 38)

Herrick Lends on Risky Deals, Finds Opportunity in Complexity

By Jay Nussbaum
Field Editor

Hackensack, NJ—A developer has negotiated an excellent deal on a Class B office property. Unfortunately, the cost to reposition it to the Class A status its location deserves will be prohibitive, leaving the acquisition too highly leveraged for a conventional lender.

Or perhaps leverage is not the problem. Perhaps speed is. Or time and cash are both ample but the property type has fallen out of favor—as are unanchored retail, environmentally tainted land and mobile home parks.

The reasons vary, but the result is the same. Despite the fact that rising interest rates and a decelerating refinance cycle have left lenders everywhere hungry for product, some very good deals are simply ill-suited for conventional lenders.

Fortunately for borrowers, there are more alternative sources of financing available today than there have ever been in the past. Regardless of NASDAQ's recent hiccups, capital remains readily available, fueling nonconventional lenders of all types.

"I'll lend on almost anything," declared Sanford Herrick, president of

(Continued on page 35)

INSIDE CPN

- **INDUSTRIAL INVESTMENT OPPORTUNITIES**

While some industrial property owners have shied away from acquisitions in favor of development, institutional and conservative investors continue to buy industrial space. *See page 10.*

- **MIDWEST PROPERTY ROUNDUP**

The former Rust Belt is redefining itself, and real estate markets throughout the region are booming. *See page 42.*

- **CRESA, WEATHERALL FORM PARTNERSHIP**

CRESA Partners L.L.C. partnered with Weatherall International in a move that will allow CRESA Alliance members access to client services abroad. *See page 3.*

- **PHILIPS LIQUIDATES; KIMCO TO BUY 15**

Philips International Realty Corp. is selling off its 26-property portfolio. Kimco Income plans to buy 15 shopping centers. *See page 3.*

- **ALBERTS JOINS CRESCENT**

Dennis Alberts, founder of Pacific Retail Trust, is the new president & COO of Crescent Real Estate Equities Co. *See page 32.*

Furber, O'Keefe See Potential in Apartments

By Dorothy Lindstrom
Senior Associate Editor

Hartford, CT—Usually viewed as a stable investment, commercial property continues to ride at the top of many advisors' shopping lists. However, concerns over rising interest rates and the credit worthiness of untested tenants demanding office space have put some advisors on the defensive and propelled others into investing in multi-family and retail.

Standard & Poor's "1999 Money Market Directory" reported that more than 46,800 tax-exempt investment institutions in the United States control $5.9 trillion in investment capital. Of this sum, real estate assets account for $203 billion and investment growth is expected to be steady going forward. But markets may not be able to produce enough of the assets advisors demand to get traditional returns, and pricing could skew upward. "Clearly, there isn't enough institutional grade property left in the market to absorb it all," noted Institutional Real Estate Inc. in its report, "The Language & Culture of the Pension Real Estate Investment Market."

As advisors look around the landscape and see where to channel their clients' money, the apartment sector stands out as a strong pick. "We're very high on apartments now, because if you look at just pure demographics, the number of people reaching the age of apartment rentership is going to be rising for the next 15 years," said Jeffrey Furber, managing partner at AEW Capital Management L.P.

Demographic research has never been more important for guiding

(Continued on page 12)

"There's confusion in pricing right now," said G. Andrews Smith, chairman & CEO of L&B Realty Advisors Inc. "There seems to be fewer buyers. Cash is King."

"If it's broken, we fix it," said Russell Appel, founder & president of The Praedium Group LLC. "We focus on middle-market assets which generally range from $10 to $50 million."

MARKET PROFILES

Denver page 47
Austin/San Antonio page 61

TOP INVESTMENT ADVISORY FIRMS PAGE 16

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TECHNOLOGY UPDATE

Morgan Emphasizes Need for High Speed Regardless of Landlords' Service Choices

(Continued from page 1)

race among the new generation of telecommunications companies and Internet service providers to get buildings, as the industry says, "lit up."

Almost all of these telcos are less than five years old, but they boast a wide array of connectivity and services to offer office building owners and managers. Cypress Communications Inc., for example, designs, installs and operates broadband networks using fiber-optic cable, coaxial cable and copper wire in office buildings and then connects them to major carriers' nationwide backbones. Another, Gillette Global Network Inc., promotes itself as a single source for all telecommunications services, including local, regional and long-distance calling, dedicated Internet access, wide-area networks, wireless services, audiovisual conferencing and enhanced fax applications.

With such a wide array and different combinations of telecom products and connectivity, real estate owners and managers face a complexity of issues as they light up their buildings. And since connectivity and product are so interrelated, landlords need to make judgments about tenants' needs.

"This is a digital world we live in, and the digital world needs high-speed data, high-speed Internet, high-speed wireless networking and, on the voice side, it is going to need voice-over Internet protocol," said Doug Morgan, vice president of national strategic initiatives for Allied Riser Communications Corp.

"More and more tenants are demanding systems capable of providing sophisticated Internet-based communications," observed Peter Fisher, president of Netlink Corp.

Using its own in-building fiber-optic networks, Allied Riser transmits data to and from each of its customers at a speed of 10 million bits of data per second, or six times faster than using a T-1 line, the high-capacity dedicated circuit that connects LANs to the Internet. Each of its in-building networks is then connected to a central facility in the metro area, usually over fiber-optic lines leased from other carriers. The company claims 1,400 buildings under contract, with 250 buildings totaling 140 million square feet already wired.

Morgan is a strong proponent of fiber-optics, thinking it is the connectivity solution owners should choose. "A lot of other companies in this industry are bringing in a T-1 line to a building with a $20,000 router which they hang onto the building's copper wire system," he said. "Unfortunately, not a lot of people understand the difference between at T-1 and fiber optics, which is significantly faster."

"In many places, we spend $200,000 so a landlord can have a full fiber-optic network capable of delivering a gigabyte's worth of service, available in a matter of days, to any tenant on any floor of any building that we wire," he continued. "That's a world of difference between us and three guys working in the garage and spending $20,000. Some landlords spend $20,000 to put ashtrays on every floor."

But not all landlords are looking for tomorrow's technology today, and a number of other types of telecom service providers, including Internet service providers, are doing business without going the full fiber-optic route.

eziaz Inc., formerly known as SiteLine, focuses its business solely on the Internet and Internet-related services.

Today, the company can brag being live in 200 buildings representing 60 million square feet in close to 30 markets. "We just changed the branding and the message to be more consistant with what we think is important keeping the Internet simple for the owners of real estate as well as the tenants," said Christopher Daniels, executive vice president of real estate at eziaz.

"Well over two-thirds of the office REITs have struck deals with telcos," said Jeff Ginsberg, chairman & CEO of Eureka Broadband Corp. "But not many are actually wired with broadband yet."

"Traditional local and long distance services are only growing at 5 percent to 7 percent a year," said Daniels. "And there is virtually no margin in the phone business today."

Through its approach, eziaz works with Internet solution providers and data networking companies to provide its customers with networking technologies and enhanced data services such as Web hosting, e-commerce and virtual private networks. It has relationships with Cabletron Systems and AT&T that provide nationwide installation and global Internetworking transport capabilities and allow it to provision an entire commercial property portfolio in 60 days, Daniels asserted.

"What the partnership with AT&T provides to us is the ability to ride their backbone anywhere in the country. All the bandwidth we bring to a building is actually provisioned and delivered by AT&T nationwide," he said.

Everest Broadband Networks Inc. also has a more limited scope. The company eventually aims to wire office and residential buildings, but its immediate market is not building owners but their tenants—small to medium-size businesses with fewer than 50 employees. Although it offers a broad range of telecommunications services, Everest primarily focuses on high-speed Internet and related applications such as "Neighborhood Internet"—which enables residential tenants to interact directly with local merchants in their community—Web hosting, e-mail and virtual private networking.

"We will wire the building as well as the office space using fiber-optic and 100 base T (high-speed ethernet copper connections)," explained James Szeliga, Everest's vice president of marketing. "Our goal is to bring 100 megabits to every user. DSL maxes out at eight megabits and a T-1 operates at 1.5 megabits per second."

But with an effort to find the right technology for the right application, in some cases Everest uses a building's existing wiring, Szeliga added.

A company like Everest does not necessarily need to make a large investment in lighting a building and thus does not need to win over a huge percentage of a building's tenants as customers, Szeliga said. "We may get a small percentage of the square footage of a building, but our cost per customer of wiring going in is about $2,000 or less."

Another less intrusive and less expensive technology is fixed wireless, which is used by companies like Teligent Inc. Now active in 40 U.S. markets, Teligent also holds partnerships and agreements in numerous countries including Germany, Spain and Argentina. It has already gained the rights to wire more than 1 billion

(Continued on page 40)

"Landlords consider what compensation they can get through telco access," said David Lane, CEO of TSI Broadband. "But in the end what they have to look at is the tenant and what is best for the tenant."

What to Expect From Your Telco

Some of the services property managers and building owners should look for and expect from their telecom/Internet service providers include:

- A full-service, one-stop shop that offers a turnkey, hassle free package of sophisticated telecom services with around-the-clock support.
- A supplier that will improve the quality of the tenant's experience and help owners be more competitive by enhancing the building's capabilities.
- A service provider that can get systems up and running quickly.
- A service provider that can easily adapt to the next generation of product, whatever it might be.
- A supplier that has a proven track record, is well capitalized, has a high client retention rate and is strategically associated, ensuring a greater likelihood that it will be solvent long term.
- A partner that will keep the landlord out of the telecommunications servicing process, so that, as with telephone service, problems are taken to the provider and not the landlord.

"Forget the smoke and mirrors," concluded Daren Hornig, executive vice president of OnSite Access Inc. "Tenants will realize if the owner made a bad decision about putting a telco in the building. I have gotten so many calls in the last month from companies that said, 'We've been hearing about this company and that company, the warrants and the great buzz, but our building is worth $200 million and it's just not worth the risk to put one of these startups in the building.'"

TECHNOLOGY UPDATE

Wagner Warns of Limitations Caused by Building Location

(Continued from page 39)

square feet in 7,500 buildings, though it is currently in 3,000 properties. Teligent can be so prodigious because it uses a fixed wireless technology, said Bruce Wagner, a senior vice president at the company. "The beauty of this technology is how it differs from fiber," Wagner commented. "I can go in and install a building for $25,000, while laying fiber in the street can cost as much as $250,000. Our cost structure gives us access to a much wider variety of buildings than fiber."

Wagner said he believes a building owner has three basic connectivity options: DSL lines, fixed wireless and fiber optics. "The problem is, the landlord is going to have some problems getting DSL if the building is very far from the incumbent, and the landlord is going to have problems getting fiber unless a large commitment is made to the fiber carrier," he said. "Fixed wireless is a great solution if you cannot have all three."

A different approach is taken by Urban Media Inc., which in May rolled out its first 50 buildings in six markets. "We do bring fiber to the buildings, but we have our own switches," said Christopher Demetree, a vice president of Urban Media. "We don't rely on other providers to provide connectivity. We are the provider." The company has received investments from owners and managers like Jones Lang LaSalle, Trammell Crow Co. and Prentiss Properties Trust, and it intends to light up buildings with voice and data in another nine markets before the end of the year.

Urban Media's method does not affect landlords but it does impact tenants by essentially giving away Internet access for free. "Tenants right now have to purchase their high-speed access," said Demetree, "and they are spending anywhere from $2.60 a square foot to $6 for dedicated high-speed access on an annual basis. We are giving that part away. The reason being it's a commodity item. Today, DSL is sold for $700 a month, last year it was $1,700 a month and next year it will be $400 a month. Another year after that it will be free. Urban Media is just forward pricing."

Giving away the access is just part of the equation, however. Doing so creates a relationship with tenants, which are then more likely to buy other services from Urban Media. "What we try to do is sell traditional voice services, local and long distance, along with unified messaging, Web hosting and other options," Demetree explained.

Meanwhile, applications and the concept of being an application service provider is one of the most recent developments in the telecom industry. For example, Cooley reported that Winstar "is moving strongly in the direction of enabling applications."

"Content and application service providers are the next stage," agreed Ward Bourdeaux, executive vice president of Cypress Communications Inc., which holds licenses to light 250 million square feet of space and already has 60 million square feet in operation. By the end of the year, Cypress Communications expects to be in 60 markets.

"We are developing strategies right now so that when a customer turns on the computer the de facto page is customized," Bourdeaux explained. "It has information customized for that individual tenant, meaning they can communicate with their landlord via the portal, they can buy goods and services, even make airline reservations."

What big landlords look for in a service provider, said Bourdeaux, "is a company that can handle all their buildings. What tenants look for is the full monte. They want a full bundle of services, voice, Internet and video." Eventually, content and applications will be added to that list.

For its part, Gillette Global Network provides tenants with long-distance service, Internet and data service; in residential areas it will also provide digital or satellite television. "We are the phone company, cable company and Internet service provider," said Joseph Gillette, president & CEO of his namesake company, which claims 45 million square feet under contract in 130 buildings, mostly in the Northeast but also in cities such as Dallas and Chicago.

With so many options available when considering telecom providers,

"Traditional local and long distance services are only growing at 5 percent to 7 percent a year," commented Christopher Daniels, executive v.p. of real estate for eziaz Inc.

Offering a bundle of services is important, said Daren Hornig, executive v.p. of OnSite Access Inc. "If you have one product, I think the lifespan of that kind of company is going to be extremely limited."

how do building owners and managers choose? Financial considerations come into play, since there is income to be derived—through fees, revenue sharing and possibly warrants and stock—by allowing a telco to have access to a building. Many real estate executives have awakened to the fact that while such an arrangement does not provide a large monetary contribution, it can make for a nice addition to the bottom line.

A lot of landlords are looking at the compensation factor, testified David Lane, CEO of TSI Broadband, which has wired 30 million square feet, mostly in the New York metropolitan area. "But in the end, what they have to look at is the tenant and what is best for the tenant."

Ultimately, the main reason to upgrade a building is to make it more marketable to tenants; a "smart" building is preferable to space that offers just a telephone jack.

From the perspective of property owners, Lane added, "They have to make sure they cover the spectrum of technology and that no matter what the tenant may request, the capacity is there." Later this year, TSI Broadband will also be opening offices in San Francisco, Atlanta, Houston and Chicago.

The telecom companies themselves must be tenant conscious, and not just building owner conscious. "Selling the landlord is the first thing you do," said Lane. "But installing the infrastructure never guarantees one client is going to take service. We make sure the tenant understands that we are not here to overwhelm them with products and services. We are here to get them started, to show them how to use the technology and eventually position them to take advantage of these new opportunities that are going to be made available."

Building owners also need to be conscious of the terms of the deals they sign and, since so many telcos are new, what their long-term viability as businesses are. "In their haste to build a market footprint, some (telecom) companies are doing deals that may not be in the best interest of their long-term survival," observed Brian Cooley, vice president of marketing for Winstar Wireless Inc., which has signed access agreements for 8,000 buildings, 4,000 of which have been lit. It also has partnerships in places like Japan, Buenos Aires, Amsterdam and Brussels.

"The deal you strike today is your legacy tomorrow," Cooley cautioned. A landlord may find warrants in a telco enticing, but if the telco itself does not offer a strong set of services, a building's tenants will suffer and ultimately want to move elsewhere.

Offering a bundle of services will be important in determining the industry's survivors, said Daren Hornig, executive vice president of OnSite Access. "If you have one product like Internet access, I think the lifespan of that kind of company is going to be extremely limited." OnSite Access, which delivers a suite of data, Internet, voice and application services, has lit more than 65 million square feet of space in 200 buildings throughout the United States and Canada. It has another 350 million square feet under contract with such large property owners as Lend Lease Real Estate Investments Inc., Equity Office Properties Trust and Tishman Speyer Properties Inc.

Gillette agreed, saying companies that provide just data services or simple voice and data solutions are "offering incomplete packages." Rather, companies have to differentiate by being able to provide full customer care and bandwidth, Gillette said. "We want to add the applications. We provide e-mail services, backup services, and we plan to provide office products processing, spreadsheets and those other applications that go beyond just bringing the telephone or Internet service to the jack in the buildings."

Being able to satisfy all a tenant's—and thus a building owner's—needs may make or break a telco in the long run. "Long-term relationships are something a lot of property owners are looking at even more carefully since the shakeout of the NASDAQ markets," Hornig concluded. "Landlords need to make the safe choice. They need to be certain they are putting a company in the building that is going to have longevity."

Cooley also cautioned building owners not sign exclusive deals. "They should pick more than one telco," he said. That gives tenants a wider choice, which only makes the building more attractive to them. The use of multiple providers is generally the pattern today, particularly with landlords of large office properties, which seem to prefer two or three telcos or ISPs in their

(Continued on page 53)

log calling centers are all attracted to San Antonio." AT&T, for instance, established a regional presence in the city primarily because of the cheap bilingual labor, which continues to provide a good hub for pulse centers, Tobias noted.

With Mexico the second-largest market for U.S. goods and services, the San Antonio industrial market has continued to benefit as a gateway for North American trade, as corporations seek geographic and cost-effective answers to their logistics needs. Since NAFTA's inception, goods have flowed through the city, and industrial employment has increased at an average annual rate of 2 percent.

In the past year, development has increased rapidly. Approximately 1.3 million square feet of new product has been delivered, with the Northeast and Northwest sectors the most active, according to REOC. The bulk of development has come in the form of build-to-suits and expansion of existing corporate campuses. Tesoro Petroleum, for instance, recently completed a 144,000-square-foot build-to-suit facility.

Total speculative development in 1999 totaled just over 600,000 square

"Call centers, credit card, procurement and catalog calling centers are all attracted to San Antonio," remarked Michael Sawtelle, president of The Pinnacle Group.

feet, according to REOC. Several speculative construction projects were completed in the Northeast submarket, home to 80 percent of the warehouse and distribution market. In the I-35 East sector, CMC Commercial Realty Group completely pre-leased its 200,000-square-foot University Park Tech Center, built as speculative development.

However, as Block observed, companies seeking smaller space are having a difficult time finding property to efficiently meet their needs. "There's industrial space available, but for the single-purpose tenant seeking 10,000 to 15,000 square feet, there is almost nothing."

More than ever, tenant needs are directing the type of space built. High parking ratios, for instance, have become a necessity. "In the early 1980s, there were big egos and big offices. Today, suburban buildings—both office and industrial— with less than five spaces per 1,000 square feet of leased space are having a tough time leasing space to larger tenants," said Tobias.

In all, the industrial base increased by 3 percent in 1999, driving the vacancy rate up to 14.9 percent. But with half a million square feet of absorption, the market appears active and healthy. And in the first quarter of 2000, San Antonio managed more than 300,000 square feet of positive net absorption, with a heavy contribution from new Class B research & development and flex construction.

Multi-family construction is also occurring at a rapid pace, but San Antonio's apartment market has remained fairly stable, with an average monthly rental rate citywide of approximately $0.69 per square foot. The number of units planned or already under construction in 2000, at almost 5,000 units, is almost double last year's number, according to REOC.

Currently, the 94 percent-occupied market contains about 93,000 apartments in projects with 25 or more units, the majority being Class B and C. The northern submarkets are seeing most of the new development.

Those submarkets are likewise seeing retail development. Although new retail construction slowed in 1999, as much as 1.6 million square feet is expected for 2000. Of the 29 million square feet currently available, more than 86 percent is occupied, and the average rent is just shy of $11 per square foot, in line with market norms.

And San Antonio is attracting new stores. Although retail development tends to follow closely behind residential construction, Black found it surprising—and encouraging—that Nordstrom, a high-end department store, would opt to open in what is traditionally a blue-collar town. "With our economy so strong, there are more affluent people who can now support fancy, high-end retail," he observed.

Investment activity picked up during the first quarter after a slow end of year, according to King. But he attributed that slowdown to Y2K concerns. The Norwest Bank buildings, totaling 280,000 square feet, were purchased by Trammell Crow Co. and South Charles Realty Corp. Both are close to 90 percent leased, with average rental rates in the high teens.

Pat Duncan, senior vice president of USAA Realty Co., pointed out that there are a lot of sales, but not of large, bulk product. "There are fewer institutional investors here than in a city like Austin or Dallas. And with the REITs drying up, there's not as much competition for property, which means higher yields." ■

Cooley Warns Building Owners: Don't Sign Exclusive Telco Deals

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buildings. Even those companies that have made investments in, or are financial partners with, individual telcos claim they are maintaining open access. Equity Office, the largest office REIT and a strategic partner with such telcos as Allied Riser and OnSite Access, keeps its buildings open to other service providers. "Our policy is we do not offer exclusives," said Tim Callahan, president & CEO. "All of our buildings will have multiple providers. We have worked toward that—providing more choices."

What is happening in the office sector can also be applied to other property types. Netlink Corp., for example, has been creating intelligent office as well as residential buildings throughout the greater New York City area with cost-effective, user-friendly computerized networks. In the commercial area alone, the company has wired more than 35 buildings and is currently under contract for 50 more. In addition, the company boasts a market penetration above the industry average of 5 to 6 percent and plans to go national within the year. Netlink handles all equipment ordering, on-site installation, testing and around-the-clock customer service.

"As the need for advanced telecommunications services increases, more and more tenants are demanding systems capable of providing sophisticated Internet-based communications including high-speed Web access, desktop video, data conferencing and interactive multimedia applications," said Netlink president Peter Fisher.

Indeed, some companies, including a number of REITs, so believe in the demand for these new telecommunications services that they have taken the unusual step of helping to venture capitalize the new telcos and in some cases essentially starting their own.

"Well over two-thirds of the office REITs have struck deals with telcos," said Ginsberg. "But not many are actually wired with broadband yet. In the REIT sector it is probably just 10 to 15 percent, which is one reason why over the last couple of years everyone has been raising capital and rolling out national networks."

Eureka, which was formed in 1998 and now boasts contracts for 130 million square feet of office space in a half dozen markets, is one of the few telcos that offers revenue sharing. "We enter into a contract with landlords and share revenue with them, which many of the traditional companies have historically shied away from," said Ginsberg. "Our goal is to work with, and be a partner with, the landlords to make their buildings better," he added.

Two of the company's biggest clusters are in Los Angeles, where it has 200 buildings totaling 20 million square feet, and New York City, where it has 45 million square feet in 176 buildings.

With so many bells and whistles and technological options available, it can be tough to choose one telco over another. With tenants ultimately deciding among the telco choices they receive, landlords should keep in mind customer service as an important element. Quickness and thoroughness in responding to problems and adding services are and will continue to be important in retaining clients over the long term. ■